



STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF NOVEMBER 19, 2021

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, Chair, at 9:00 a.m. via videoconferencing.

Trustees Present

Suzanne Grant
Art Agra
Harold Stafford
Nancy Shevock
Rick Geisenberger
Cerron Cade

Trustees Absent

Tom Shaw

Others Present

Joanna Adams, Pension Administrator
Jodie Wedel, Deputy Pension Administrator
Ryan Connell, Deputy Attorney General
Ann Marie Johnson, Deputy Attorney General
Jamie Mayan, Pension Office
Josh Hitchens, Pension Office
Khairat Makanjuola, Pension Office
Stephenie Tatman, Pension Office
Cindy Starr, Pension Office
Mary Wood, Pension Office
Rob Gooderham, Windmark
Garry Musto, Windmark
Keith Hammond, BDO
Bert Scoglietti, Deputy Controller General

1. OPENING COMMENTS

S. Grant welcomed everyone to the meeting.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the October 29, 2021 meeting.

MOTION made by N. Shevock and seconded by A. Agra to approve the Public Minutes of the October 29, 2021 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the October 29, 2021 meeting.

MOTION made by A. Agra and seconded by H. Stafford to approve the Executive Minutes of the October 29, 2021 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. AUDIT COMMITTEE UPDATE

H. Stafford reported at the November 5th meeting that the Audit Committee welcomed a new member, Joe Seibert. BDO presented the results of their audits of the financial statements for Fiscal Year 2021 for the Pension System and OPEB Trust. The Audit Committee approved these audit reports at the November 5th meeting, subject to any major revisions prior to report issuance. Ms. Tatman presented the new continuous auditing model and the results of the most recently completed internal audit. The KPMG contract is finalized, and they will continue to support Internal Audit. The next Audit Committee meeting is scheduled for Friday, February 4th.

4. GOVERNANCE COMMITTEE UPDATE

Ms. Adams reported the Governance Committee met on November 3rd where she presented the Pension Office 2021 highlights, FY23 Actuarial Valuation, and the approved FY23 Employer Rates. Next meeting is scheduled for Wednesday, February 9th.

5. PENSION ADVISORY COUNCIL UPDATE

Ms. Adams reported that at the last meeting officers were appointed. The Council is working on items they want to add to their legislative agenda. Kevin Carson and Kristen Hatfield are new members from Delaware Association of School Administrators.

6. PENSION ADMINISTRATOR UPDATE

Employee Recognition

Ms. Adams reported DPERS received the Public Pension Coordinating Council Standards Award for FY21. This award recognizes that DPERS meets the Funding and Administration Standards, the minimum expectations for public retirement system management and administration, as well as serve as a benchmark by which all defined benefit public plans should be measured.

Ms. Adams compiled a list of highlights from the Fiscal Year 2021. Celebrating successes big and small.

- Delaware Public Employees' Retirement System celebrated its 50th Year Anniversary in 2021. FY21 ended with a rate of return over 38%, the 2nd highest return in its 50-year history, and well above the expected rate of return of 7%. The system started in 1971 with 4 pension plans valued at \$14.7 million and has grown to 9 pension plans and 3 commingled investment funds valued at \$14.6 billion in FY21!
- Implemented Key Performance Indicators for Northern Trust, DPERS' custodial bank, saving \$20,000 in banking fees.
- Replaced in-person Pre-Retirement Workshops and Group Counseling with virtual workshops serving approximately 1,500 members. The workshop has also been recorded with closed captioning to be accessible 24/7 on our website.
- Transitioned lockbox operations from BNY Mellon and check printing services and payroll EFT transactions from PNC Bank to JPMC.
- Updated the Disability Insurance Program eligibility file and deduction file as a result of The Hartford's transition to its new data system.
- Technology upgrades include the transition to Office 365, Microsoft Teams, digital signage and new phone system.
- Implemented a continuous auditing model of DPERS' key business processes to use on-going data analysis to identify and resolve potential issues in a more timely and effective manner.
- Set up 24 counties and municipalities for auto debit of their monthly contribution payments which replaces money wires or manual checks saving time and ensuring the contributions are invested faster.
- Increased Limited Partnership stock distributions by 30%. Received \$829 million from 190 distributions in FY21.

- Enhanced all Pension Office forms to be more professional and consistent in addition to be more user-friendly.
- Implemented a successful training program for new hires. Excluding internal promotions, 25% of the total staff were hired new in FY21.
- Implemented an additional vision plan.
- Renamed the Delaware Conference Room (aka Boardroom) to Craik Conference Room and completed the tribute on the wall in honor of David C. Craik, former pension administrator.

Positions

Ms. Adams reported there are four vacant positions. The State Accountant and Executive Assistant to the Pension Administrator positions have been filled. We are getting ready to conduct interviews for the Administrative Specialist II. Ms. Adams is working on reclassing the Sr. Human Resources Technician due to an internal promotion. The Limited Term Human Resources Specialist V who was just hired resigned after 7 days.

Office Activities

Ms. Adams reviewed the quarterly Pension Office activities. She stated there were some Delaware pension trainings.

Reporting Schedule

Ms. Adams stated that the meeting dates have been updated.

7. DEPUTY ATTORNEY GENERAL UPDATE

Nothing to report

8. INVESTMENT COMMITTEE UPDATE

Mr. Gooderham reported that, following a weak September, global equity markets delivered robust results in October. Strong corporate earnings reports and receding COVID-19 cases helped to offset concerns of rising inflationary pressures. The broad US equity market, as measured by the Russell 3000 index, rallied 6.8%. Within US equities, growth stocks outperformed value stocks and large cap outpaced small cap. International equity performance lagged US equities as the MSCI EAFE index advanced 2.5% and the MSCI Emerging Markets index was up 1.0%. In fixed income markets, shorter term yields moved higher (prices lower) amid expectation that Federal Reserve monetary policy would turn less accommodative, while longer term yields moved lower (prices higher). For the month, the broad Bloomberg index fell 0.1% and the more credit-sensitive Bloomberg High Yield index was down 0.2%.

Mr. Gooderham reported that DPERS Fund assets at Northern Trust are estimated to be \$15,347.1 million on October 31, 2021, representing a net increase of \$406.8 million during the month. Estimated returns through October 31, 2021 are as follows:

| | Month Ended 10-31-21 | Fiscal YTD 10-31-2021 | Calendar YTD 10-31-21 | 1 Year Ended 10-31-21 |
|--------------------------|-------------------------|--------------------------|--------------------------|--------------------------|
| Total Fund | 3.0 | 5.5 | 21.8 | 34.4 |
| DPERS Policy Benchmark** | 3.6 | 3.0 | 11.8 | 25.2 |
| S&P 500 Index | 7.0 | 7.6 | 24.0 | 42.9 |

** Benchmark mix: 46% Russell 3000 Index, 24% MSCI ACWI ex US IMI (Net), 27.0% BB Universal Bond Index, 3% T-bills
12/01/20 – 02/28/21: 43% Russell 3000 Index, 23% MSCI ACWI ex US IMI (Net), 31.0% BB Universal Bond Index, 3% T-bills
09/01/20 - 11/30/20: 40% Russell 3000 Index, 22% MSCI ACWI ex US IMI (Net), 35.0% BB Universal Bond Index, 3% T-Bills

Mr. Gooderham reported that the Committee had met once since the Board's October meeting, on November 16th. At that meeting, in addition to the approved item below, the Committee reviewed and discussed:

- The Annual Actuarial Update
- The Annual Cash Flow Review
- A Northern Trust Cybersecurity Update
- What We Believe: Inflation Update
- The 3rd Quarter 2021 Investment Review

Also at the November 16th meeting, the Committee approved under its authority an amendment to the Limited Partnership Agreement for Trident Capital Fund- VI, L.P., subject to legal review.

The next meeting of the Committee is scheduled for Tuesday, December 14th, 2021.

MOTION made by A. Agra and seconded by H. Stafford to enter into Executive Session to consider pension personnel matters, confidential medical records, legal matters, sensitive commercial trade secrets and confidential financial information.

MOTION ADOPTED UNANIMOUSLY

The Board then moved into Executive Session to discuss pending personnel matters, confidential medical records, legal matters, sensitive commercial information, proprietary business information, trade secrets and confidential financial information.

MOTION made by N. Shevock and seconded by H. Stafford to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by H. Stafford and seconded by A. Agra to accept the recommendation to approve the Annual Comprehensive Financial Report as recommended by the Audit Committee with corrections.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by H. Stafford to approve the Governance Committee recommendation to conduct a compensation study for the Pension Office analyzing salary, duties and responsibilities.

MOTION ADOPTED UNANIMOUSLY

9. NEW BUSINESS

There was no new business.

10. ADJOURNMENT

At 11:38 a.m., there being no further business, **MOTION** was made by C. Cade and seconded by A. Agra to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

Joanna M. Adams
Joanna M. Adams (Jan 4, 2022 16:10 EST)

Joanna M. Adams
Pension Administrator

Suzanne B. Grant
Suzanne B. Grant (Jan 10, 2022 10:03 EST)

Suzanne B. Grant, Chair
Board of Pension Trustees